



CITY COUNCIL

STAFF REPORT

November 6, 2024

**ITEM TITLE: RESOLUTION 2024-074 AUTHORIZING AN ADMINISTRATIVE SERVICES AGREEMENT WITH MISSION SQUARE RETIREMENT FOR MANAGEMENT OF CITY'S 457(B) DEFERRED COMPENSATION RETIREMENT PLAN. (0520-30)**

**ORIGINATING DEPARTMENT:**

Finance

**EXECUTIVE SUMMARY:**

Since 1989, the City of Imperial Beach has offered a 457(b) Deferred Compensation benefit for all City employees through Mission Square Retirement (previously ICMA RC). A 457(b) plan is a tax-deferred retirement savings plan. Contributions to the plan are made by employees through payroll deductions. The City does not incur any costs for the plan's administration as fees are charged to plan participants directly. The City has engaged in negotiations with Mission Square Retirement for a fee reduction that would benefit employees participating in the retirement plan.

**RECOMMENDATION:**

Staff recommends the City Council adopt Resolution No. 2024-074 authorizing the City Manager or designee to execute an agreement with Mission Square Retirement for management and administration of City's 457(b) Deferred Compensation Plan.

**OPTIONS:**

- Adopt Resolution No. 2024-074 authorizing the City Manager or designee to execute an Administrative Agreement with Mission Square Retirement
- Request additional information
- Deny Resolution No. 2024-074

**BACKGROUND/ANALYSIS:**

Since 1989, the City of Imperial Beach has contracted Mission Square Retirement (previously ICMA RC) to offer a 457(b) Deferred Compensation benefit for all City employees. A 457(b) plan is a tax-deferred retirement savings plan. Funds are withdrawn, pre-tax, from an employee's salary with income tax paid on withdrawals, typically at retirement, after the funds have had several years to grow.

Employees make regular contributions deducted from their paychecks. Contributions are made to an account in the employee's name for the exclusive benefit of the employee and their beneficiaries. The value of the account is based on the contributions made and the investment performance over time. The benefit intends to create savings for retirement in addition to the employee pension and social security while providing tax-deferral of income.

The current plan administration agreement follows R1 pricing structure based on the value of the City's total assets under management. This plan administration fee is 0.55% with net expense

ratios of 0.94% - 1.65%. The proposed agreement follows R5 pricing structure which eliminates the plan administration fee resulting in net expense ratios ranging between 0.2% - 1.11%. The proposed pricing structure is typical for a much larger asset value plan as it is funded by revenue share rather than as an assessed administrative fee. A change from the current R1 to R5 pricing structure would result in estimated annual savings of \$28,000 for City employees while adding no costs to the City.

The change would require a 7-year initial contract to allow for plan costs to be offset with revenues arising from the exclusive use of Mission Square. This exclusivity is subject to Mission Square complying in all material respects with the services to be performed by it under the Agreement such as enrollment and recordkeeping services, managing customer helpline, security, benefit distribution, etc. After the initial term, the contract would phase out into an annual renewal cycle cancellable upon 60-day notice.

**ENVIRONMENTAL DETERMINATION:**

Not a project as defined by CEQA.

**FISCAL IMPACT:**

There is no cost to the City. Plan fees are charged to participants. The pricing structure change is estimated to save \$28,000 for City employees annually.

**ATTACHMENTS:**

ATT 1 – Resolution No. 2024-074

ATT 2 – Administrative Services Agreement with Mission Square Retirement for Management and Administration of City's 457(b) Deferred Compensation Plan

ATT 3 – R1 (Current) and R5 (Proposed) Pricing Comparison for Various Retirement Investment Funds